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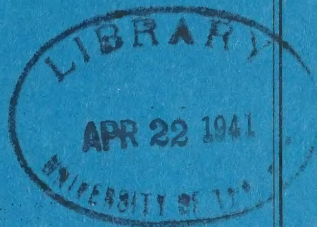
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CANADA



## REPORT

ON THE

# RATION OF THE MUNICIPAL IMPROVEMENTS ASSISTANCE ACT, 1938

FOR THE PERIOD

JUNE 24, 1938, TO DECEMBER 31, 1938




OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1939





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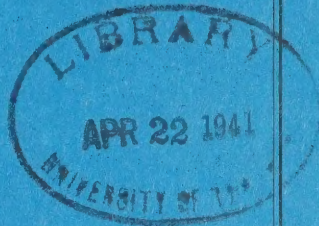
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## REPORT ON THE OPERATION OF THE MUNICIPAL IMPROVEMENTS ASSISTANCE ACT, 1938

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The Honourable CHAS. A. DUNNING,  
Minister of Finance.

SIR,—I have the honour to submit the following report on the operation of the Municipal Improvements Assistance Act, 1938, for the period from the date the Act was passed, June 24, 1938, until December 31, 1938:

### 1. PURPOSE OF THE ACT

The Municipal Improvements Assistance Act was assented to on June 24, 1938. It gave authority to the Minister of Finance, with the approval of the Governor in Council, to make loans to municipalities at the low interest rate of 2 per cent for the purpose of paying the whole or any part of the cost of constructing, extending, improving or renewing self-liquidating projects of a municipal character.

The purposes which Parliament had in mind in passing this legislation were:

- (1) to enable municipalities, which have found it impossible in many cases to raise funds through the ordinary investment channels and difficult in other cases to raise such funds at reasonable rates, to finance the construction, improvement, extension or renewal of municipal utilities; and
- (2) to create productive employment and thereby to assist in solving the problem of unemployment.

### 2. FUNDS AVAILABLE

The aggregate principal amount of loans to be made under this legislation may not exceed \$30,000,000. This total sum is to be allotted to individual municipalities on the basis of relative size of population as shown by the 1931 Census. In general this means that the amount available to any municipality is equal to \$2.89 per head of population. However, to take care of the needs of small municipalities there is a provision that loans not exceeding in the aggregate \$200,000 may be made to any municipality, however small its population. Furthermore, it is provided that in the case of loans made to a board, commission or agency acting on behalf of more than one municipality, the aggregate amount of loans made to such board may not exceed the maximum amount of loans which the municipalities would be entitled to receive if acting separately, and shall be apportioned between the board, commission or agency and the municipalities concerned on a basis to be approved by the Governor in Council.

### 3. APPLICATIONS RECEIVED AND LOANS APPROVED

As at December 31, 1938, there had been received from municipalities 47 formal applications in the approved form for loans amounting in total to \$3,581,999.98. In addition a very large number of inquiries had been received from municipalities interested in the facilities provided by the Act. Many of these inquiries will be followed in the near future by formal applications for loans; others related to the financing of projects which would not be eligible



for loans under the Act; and still others were from municipalities located in provinces, the governments of which have not as yet expressed a willingness to give the approvals and guarantees required by the Act.

Of the 47 formal applications, the Governor in Council has approved 34, and has rejected 5 which were considered as not conforming to the provisions and purposes of the Act. At the close of the year, 8 applications were pending consideration. The 34 loans approved were approved for a total amount of \$2,983,667.53.

The municipalities making inquiries in regard to the Act, the applications and the loans approved are classified by provinces as follows:

	Municipalities making inquiries	Formal Applications made	Loans Approved
British Columbia.....	25	7	6
Alberta.....	30	17	12
Saskatchewan.....	30	13	10
Manitoba.....	21	4	nil
			(2 pending)
Ontario.....	41	nil	nil
Quebec.....	52	nil	nil
New Brunswick.....	8	5	5
Nova Scotia.....	7	nil	nil
Prince Edward Island.....	4	1	1
Total.....	218	47	34

#### 4. REGULATIONS PASSED UNDER AUTHORITY OF THE ACT

The original regulations under this legislation were approved by the Governor in Council on July 20, 1938. As a result of experience gained in dealing with the early applications, these original regulations were amended on November 29, 1938.

A copy of the regulations now in force is appended hereto.

#### 5. LEGAL POSITION IN INITIAL PERIOD: PROVINCIAL CO-OPERATION

In introducing the legislation in the House of Commons, the Minister of Finance pointed out that it constituted an innovation in Canadian constitutional practice, as the Dominion was for the first time undertaking to deal directly with and to give financial assistance directly to the municipalities which are solely creatures of the provinces and possess only such powers and responsibilities as are granted to them by the provincial governments.

For this reason, no loan may be granted under the legislation unless the provincial government to which the municipality is responsible,

- (a) has approved the application for loan;
- (b) has approved the project to be financed with the proceeds of the loan; and
- (c) has agreed to guarantee the payments for interest on and amortization of the loan, required to be made to the Minister of Finance.

The requirement of provincial government approval of applications for loans not only is intended to overcome the possible constitutional objection which a provincial government might have to its municipalities dealing directly with the Dominion Government but also enables the provincial authorities to exercise any control over municipal borrowing operations which they may desire. Similarly, the necessity for approval of the project itself enables the provincial



Department of Municipal Affairs to bring sound advice and competent technical assistance to aid the municipalities, and particularly the small municipalities, in solving the numerous technical problems connected with the construction of municipal utilities, in order to secure the best type, the most appropriate size and the most economical cost. Finally, the guarantee by the provincial government of loans made under the Act was believed to be necessary because otherwise it would be possible for a provincial government, by withdrawing revenue sources from its municipalities or by throwing new burdens upon them, to make it quite impossible for those municipalities to pay the interest and amortization charges on the loans made to them by the Dominion. Incidentally, it should be noted that, if the provincial authorities take care to recommend only loans for projects that are actually *self-liquidating*, the provincial guarantee should involve the provincial government in no financial cost.

However, the fact that these approvals and guarantees were required by the Act caused certain delays and has been responsible for a smaller volume of lending operations in this initial period than would otherwise have been the case. It is probably true that at the time the Act was passed, no provincial government possessed clear authority under its existing legislation to give the approvals and guarantees required. If it had been necessary to wait until the provincial Legislatures should meet and pass the necessary legislation, the Act could not have made the contribution to the relief of unemployment during the winter months that was desired. It was therefore decided to accept forthwith applications for loans from municipalities provided that the provincial government concerned passed an Order in Council not only approving the specific application and project and giving or undertaking to give the necessary guarantee but also undertaking to pass legislation at the next session of the Legislature to ratify and confirm approvals and guarantees previously given and, as for the future, to enable it (and where necessary, its municipalities) to comply with the requirements of our legislation.

The provinces of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick and Prince Edward Island have passed the Orders in Council which have enabled their municipalities to take immediate advantage of the facilities offered by our legislation. It is understood that the Government of the province of Nova Scotia prefers to await the meeting of the Legislature before approving any loans under the Act. The Ontario Government has announced its unwillingness to give the guarantees required by the Act. The attitude of the Quebec Government is not known definitely but, so far, no municipality in that province has submitted to the Dominion a formal application for a loan approved by its provincial government.

## 6. PRINCIPLES OF THE LEGISLATION AND THEIR APPLICATION

### A. ELIGIBLE PROJECTS

The Act lays down certain definite conditions in regard to the type of project which may be financed by the proceeds of a Dominion loan. These conditions are as follows:—

#### (1) *The project must be self-liquidating*

This means that as a result of the completion of the project the *net* revenue of the municipality must, on the basis of conservative estimates, be increased by an amount sufficient to pay the interest and amortization charges on the loan. This increase in net revenue may result *either* from an increase in gross receipts because of charges made to persons specially benefiting from the new service provided, *or* from a decrease in operating or maintenance charges that would otherwise have to be borne by the municipality, *or* from a combination of both these factors. In other words, the project must carry itself; it is not eligible if it

is to be financed by increasing the municipal tax rate. Parliament obviously believed that Dominion loans to municipalities could not be justified, if they were likely to result in increasing the already heavy burden upon the general taxpayer.

Most of the loans so far approved have been for the purpose of financing repairs, improvements, extensions or additions to existing water works systems, electric lighting systems or gas plants. In some cases, the savings in operating and maintenance expenditures, presently necessary because of an old or obsolete systems, were shown to be more than sufficient to pay interest on the loan and amortize it completely during the useful life of the project. In some cases the new revenues resulting from the extension of, say, an existing electric lighting system were found to be more than sufficient to liquidate the loan. In one very exceptional case, a school building was demonstrated to be eligible because of receipts from tuition fees charged to certain classes of pupils and because of savings in rentals and other charges. In a few cases, paving and sewer projects have been found to be eligible because of savings in maintenance costs and increased receipts from persons benefiting specially from the completion of the projects.

It is to be noted that, where an existing municipal utility is being improved or extended, the Act requires that the specific improvement or extension—that is, the project itself—must be self-liquidating and not merely the whole system or utility of which the particular project will form a part. This requirement will normally rule out as ineligible, for instance, the building of better offices to house the staff of a municipal utility, because no increase in net revenues is likely to result therefrom.

(2) *The project must be an urgently needed municipal project*

The Act does not contemplate that the Dominion should finance projects that do not come within the field of the ordinary functions of a municipal government or that are not urgently required. For this reason the Governor in Council has rejected applications for projects such as skating or curling rinks, swimming pools, etc. Arguments were advanced by certain municipalities that such facilities were desirable and would contribute to the social and recreational life of the municipality, but the Governor in Council took the position that such projects were not eligible under the provisions of the Act and that the Dominion could not justify the use of Dominion funds to enable certain municipalities to enjoy facilities which were not considered by most municipalities to come within the field of ordinary municipal government.

(3) *The completion of the project must assist in the relief of unemployment in the municipality concerned*

It is important to note that the Act requires employment to be given in the particular municipality. It is not sufficient that the purchase of materials and supplies in other parts of the country would contribute indirectly to the relief of unemployment. For this reason, the Governor in Council has not looked favourably upon applications where substantially all the expenditure involved was to be for the purchase of equipment or materials outside of the municipality concerned.

It is estimated that, of the proceeds of the loans so far approved, \$1,130,518 will be expended for the payment of wages in the municipalities concerned. As a result 273,790 man-days of direct labour will be provided, not to mention the indirect labour created by the purchase of materials, supplies and equipment in the estimated amount of \$1,853,149.

The regulations provide that employment on the construction of projects is to be restricted to residents of Canada. Any necessary exceptions to this rule must be approved by the Minister of Finance. Furthermore, there must be no



discrimination in the selection of employees by reason of race, religious views or political affiliations. Working hours are not to exceed 8 hours per day or 44 hours per week, and wages are to be paid as required by the Fair Wages and Hours of Labour Act, 1935.

#### B. FORM OF APPLICATION

The regulations provide that applications for loans shall be submitted in the form prescribed, with the minute of the municipal council's approval and a certified copy of the provincial Order in Council approving the project and the application for loan and authorizing the provincial guarantee. In support of an application for loan the municipality must also forward to the Minister description and location of the proposed self-liquidating project, a detailed estimate of its cost, evidence demonstrating the self-liquidating nature of the project, a statement as to the urgent need of the project and a statement as to the extent to which the project will assist in the relief of unemployment in the municipality concerned.

The application in duplicate, with the supporting schedules, must first be submitted to and approved by the provincial government. This enables the provincial authorities to check the data submitted and to require additional information from the municipality before giving its approval and undertaking to give its guarantee.

#### C. FORM OF AGREEMENT

When an application for a loan is approved by the Governor in Council, the Minister of Finance is authorized to negotiate an agreement with the municipality. The Minister submits to the municipality a copy of the standard form of agreement, negotiates the special provisions that are applicable to the particular loan and satisfies himself as to all legal matters. Under the present regulations he requires the municipality to obtain an opinion of the attorney general or deputy attorney general of the province concerned in form satisfactory to the Minister as to the power of the municipality to borrow the amount of loan, to enter into the agreement and to issue the notes and debentures required, and as to the validity of the securities to be given by the municipality. When the agreement is finally negotiated it is submitted to the Governor in Council for his approval.

Under the present form of agreement the principal amount of the loan is advanced to the municipality in instalments as the work of construction proceeds. An initial payment of 25 per cent of the amount of loan may be advanced at any time at the request of the municipality. The remainder of the loan, except the last instalment, is advanced from time to time on progress certificates certified to by the municipal treasurer or auditor and by an officer of the provincial government. For the last 25 per cent of the loan advanced a certificate must be forwarded to the Minister certifying that the remaining amount of the loan will be sufficient to complete the self-liquidating project in accordance with the plans and specifications submitted to the Minister. If it is not sufficient, the municipality must make satisfactory arrangements for obtaining the additional funds required.

#### D. FORM OF SECURITY

Under the agreement with the Minister the municipality which has received a loan must deliver to the Minister a demand promissory note or notes representing the amount of each instalment and at the time of the last instalment a debenture representing the principal amount of the loan. Each loan is amortized by equal semi-annual instalments representing principal and interest

over a period not exceeding the useful life of the project. The debenture is a coupon debenture and each coupon represents the semi-annual payment of principal and interest required to be made on the loan. The loans so far approved vary in term from 10 to 30 years.

For the protection of the provincial government giving the guarantee and as security for any loan, the municipality is required to grant to the provincial government a first charge or lien upon all revenues derived from the project to be constructed or from the project to be extended, improved or renewed out of the proceeds of the loan, or at the discretion of the Minister a first hypothec, mortgage or charge upon the project to be constructed or upon the project to be extended, improved or renewed out of the proceeds of the loan. Any such charge or lien and any such hypothec, mortgage or charge shall be assigned to the Minister at any time at his request and must be assigned to the Minister in the event that the provincial government fails in whole or in part to implement its guarantee. An exception is made if the municipality has debentures outstanding containing a first charge or lien upon revenues and if the debentures to be delivered to the Minister will rank *pari passu* with the debentures outstanding.

This provision was inserted at the instance of some of the provincial authorities and should serve to make it possible for some municipalities which might otherwise find it impossible to secure the provincial guarantee, to finance much needed improvements to revenue producing utilities.

#### E. ADDITIONAL SAFEGUARDS

All funds advanced to the municipality must be kept by the municipality in a separate account. All books of account are open for inspection by a representative of the Minister of Finance or by a representative of the provincial government.

During the progress of construction and thereafter the municipality is required to insure and keep insured the self-liquidating project against loss or damage by fire to its full insurable value. Insurance moneys are to be made payable to the Minister as his interest may appear.

#### 7. BENEFITS OF THE LEGISLATION

It seems now to be clear that the objectives which Parliament had in mind in passing this legislation will be achieved. In spite of the delays incidental to the inauguration of a new scheme and also due to the legal difficulties outlined under No. 5 above, it is gratifying that 47 formal applications had been received by the end of the last calendar year. Since that time the number of formal applications has increased considerably, and there is already evidence that a substantial volume of lending will take place under the Act during the present calendar year. Apart from the contribution which the Act is already making and will make to the solution of the unemployment problem, we have had a great deal of testimony from municipal and provincial authorities to the effect that the Act is going to play an important role in municipal financing. As one provincial official stated, its value to many municipalities is not so much that it makes funds available at the low interest rate of 2 per cent but the fact that it is providing funds which would not otherwise be available at all.

In some cases municipalities have been able to finance much needed improvements or extensions to essential municipal services at very low cost, securing at the same time the additional advantage of providing increased productive employment in their communities. In other cases municipalities have been able to finance improvements, extensions or renewals to existing public utilities, or the construction of new utilities, which would otherwise not have been possible. In several cases the repairs, improvements or renewals



to existing utilities which loans under the Act have made possible, have been so urgently needed that inability to carry them out at the present time might have resulted in a complete breakdown in the next year or two, with a possible heavy loss of existing investment and with serious dangers to the health of the community concerned.

In addition there are certain auxiliary or incidental advantages being obtained from the operation of the Act. One of these arises from the fact that municipalities must demonstrate the self-liquidating character of the projects which they desire to finance, and this has required them to exercise a great deal of ingenuity and foresight in planning the projects in order to ensure that they will stand on their own feet without imposing a burden on the taxpaying community. Furthermore, the operation of the Act has given the provincial authorities charged with responsibility over municipal matters, an opportunity to consult with the municipal officials and to give them advice and technical assistance in the planning of municipal projects. More than one provincial official has pointed out that in this way the Act should make an important contribution to sound government and sound administration.

## 8. APPENDICES

The following appendices are attached to this Report:

- (1) Regulations made under authority of the Act as amended on November 29, 1938.
- (2) List showing number and amount of applications received, applications approved, applications rejected, applications reduced, and applications pending as at December 31, 1938.
- (3) List of projects for which loans were approved up to December 31, 1938, showing the amount of the loan, the purpose for which the loan was made, and the municipality to which the loan was made.
- (4) Statement of estimated expenditures for labour, equipment and supplies arising from loans approved.

Respectfully submitted,

W. C. CLARK,  
*Deputy Minister of Finance.*





## APPENDIX I

(Extract from THE CANADA GAZETTE of Saturday, December 3, 1938.)

[3014]

## AT THE GOVERNMENT HOUSE AT OTTAWA

Tuesday, the 29th day of November, 1938.

PRESENT:

HIS EXCELLENCY THE GOVERNOR  
GENERAL IN COUNCIL

Whereas the Minister of Finance reports that it is desirable to make certain changes in the Regulations made under the authority of The Municipal Improvements Assistance Act, 1938, by Order in Council of July 20, 1938 (P.C. 1746); .

Now, therefore, His Excellency the Governor General in Council, on the recommendation of the Minister of Finance and under the authority of The Municipal Improvements Assistance Act, 1938, is pleased to make the Regulations attached hereto and they are hereby made and established accordingly.

His Excellency in Council, on the same recommendation, is further pleased to order and doth hereby order and direct that applications for loans received not later than one month after the publication of the Regulations hereby established in *The Canada Gazette* may be granted if the applications therefor and supporting documents, the agreements and debentures comply with the provisions of the said Act and the said Regulations made by Order in Council P.C. 1746 of the 20th July, 1938, or the Regulations hereby established.

E. J. LEMAIRE,  
Clerk of the Privy Council.

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REGULATIONS

1. In these regulations unless the context otherwise requires,—
  - (a) "Act" means The Municipal Improvements Assistance Act, 1938;
  - (b) "Minister" means the Minister of Finance;
  - (c) "municipality" shall have the same meaning as in the Act;
  - (d) "self-liquidating project" shall have the same meaning as in the Act.
2. Applications for loans shall be in the form of Schedule A hereto.
3. In support of an application for a loan, a municipality shall forward to the Minister through the Government of the Province, in which the municipality is situated, information in the form required by the following Schedules, that is to say:—
  - (a) description and location of the proposed self-liquidating project, Schedule B;
  - (b) a detailed estimate of the capital cost of the proposed self-liquidating project, Schedule C;

- (c) evidence establishing the self-liquidating nature of the project, Schedule D;
- (d) statement as to the urgent need of the proposed self-liquidating project, Schedule E;
- (e) statement indicating manner in which the proposed self-liquidating project will assist in the relief of unemployment in the municipality, Schedule F;

and such other information as the Provincial Government or the Minister may require.

4. The municipality shall forward in duplicate to the Provincial Government the application for a loan in the form prescribed by Schedule A, together with the additional information required by Schedules B, C, D, E and F to these regulations and any additional information that may be required.
5. If the Provincial Government approves the application for the loan and the self-liquidating project to be financed out of the proceeds of the loan, and undertakes to guarantee to the Government of Canada the payments for interest on and amortization of the loan required to be made by the municipality to the Minister, one copy of the completed application shall be forwarded to the Department of Finance, Ottawa.
6. The Minister shall notify the Provincial Government and the municipality whether or not the application for the loan is approved by the Governor in Council.
7. If the application for the loan is approved by the Governor in Council, the Minister shall forward to the municipality a copy of an agreement between the Minister and the municipality substantially in the form set out in Schedule G hereto and the municipality shall thereupon execute the said agreement and forward to the Minister two original counterparts of the said agreement. At the same time the municipality shall obtain and forward to the Minister an opinion of the Attorney General or Deputy Attorney General of the Province concerned in form satisfactory to the Minister as to the power of the municipality to borrow the amount of the loan, to enter into the agreement with the Minister and to issue and deliver the notes and debentures required in the agreement to be issued and delivered to the Minister, and as to the validity of the security to be given by the municipality.
8. After the execution of the agreement the principal amount of the loan may be advanced as follows:—
  - (a) any amount up to twenty-five per cent of the loan may be advanced at any time or from time to time at the request of the municipality;
  - (b) the remainder of the loan, except the last instalment, may be advanced from time to time on progress certificates satisfactory to the Minister showing that substantially all the advances previously made have been expended on the self-liquidating project and indicating the extent to which the self-liquidating project has been completed. Such progress certificates shall be signed by the officer of the municipality who is charged with supervision over the construction of the self-liquidating project and shall be accompanied by a certificate of the treasurer or auditor of the municipality certifying that the moneys have been expended on the self-liquidating project and have been properly accounted for and by a certificate of an officer of the provincial government who shall certify that he has inspected the self-liquidating



project and has examined the accounts and vouchers relating to the expenditures thereon and that to the best of his knowledge and belief the information contained in the progress certificate is true and correct;

- (c) before the last twenty-five per cent of the loan is advanced a certificate shall be forwarded to the Minister signed by the officer of the municipality charged with supervision over the construction of the self-liquidating project and by an officer of the provincial government certifying that to the best of their knowledge and belief the remainder of the proceeds of the loan will be sufficient to complete the self-liquidating project in accordance with the plans and specifications submitted to the Minister. If such certificate cannot be given the municipality shall, before receiving the remaining twenty-five per cent of the loan, make satisfactory arrangements for obtaining the additional funds required and shall have expended such funds on the self-liquidating project or shall have them available.
9. Interest at the rate of 2 per cent per annum on the amounts from time to time advanced computed from the respective dates of such advances until the thirtieth day of June or the thirty-first day of December whichever shall first occur following the last advance (hereinafter called the consolidation date) shall be payable semi-annually on the thirtieth day of June or the thirty-first day of December. From the said consolidation date the principal amount of the loan with interest thereon at the rate of 2 per cent per annum payable half-yearly shall be amortized over a period not longer than the estimated useful life of the self-liquidating project by equal semi-annual instalments (each of which shall include interest on and amortization of the loan) payable on the thirtieth day of June and the thirty-first day of December in each year.
  10. The municipality shall deliver to the Minister at the times specified in the agreement between the Minister and the municipality a note or notes of the municipality and a debenture or debentures of the municipality, such debenture or debentures to be substantially in the form set out in Schedule H hereto.
  11. For the protection of the Provincial Government giving the guarantee and as security for any loan the municipality shall grant to the Provincial Government a first charge or lien upon all revenues derived from the project to be constructed or from the project to be extended, improved or renewed out of the proceeds of the loan or at the discretion of the Minister a first hypothec, mortgage or charge upon the project to be constructed or upon the project to be extended, improved or renewed out of the proceeds of the loan. Any such charge or lien and any such hypothec or mortgage or charge shall be assigned to the Minister at any time at his request and in any event shall be assigned to the Minister in the event that the Provincial Government fails in whole or in part to implement its guarantee of the payments for interest on and amortization of the loan. If the municipality obtaining the loan has debentures outstanding containing a first charge or lien upon the revenues to be derived from the project to be constructed or from the project to be extended, improved or renewed out of the proceeds of the loan and if the debentures to be delivered to the Minister will rank *pari passu* with the debentures outstanding it shall not be necessary for any such municipality to comply with the provisions of this regulation.
  12. If a loan is applied for to enable the municipality to pay part of the cost of constructing or making extensions or improvements to or renewals of a self-liquidating project, a loan shall not be granted unless arrangements satisfactory to the Minister are made to finance the remainder of the cost of the self-liquidating project.

## SCHEDULE A

## APPLICATION

The.....hereby makes application for a  
(Insert name of municipality, board, etc.)

loan under the provisions of The Municipal Improvements Assistance Act, 1938, in the sum of \$.....to finance the project described in Schedule B and agrees to repay the Minister of Finance the principal and interest on such loan in accordance with the terms of the said Act, and the agreement to be entered into between the Minister of Finance and the municipality.

This application was approved by the Municipal Council on the..... day of.....19.... Copy of minutes certified by the Municipal Clerk is attached.

Date.....19....

.....  
Municipal Clerk

.....  
Mayor or Reeve

NOTE: If the borrowing authority is a board, commission, agency, etc., appropriate changes should be made in this form.

## APPROVAL OF PROVINCE

The above application and the project to be financed were approved by the Lieutenant-Governor of the Province of.....on the..... day of.....19.... Attached hereto is a certified copy of an Order in Council giving such approval and unconditionally guaranteeing to the Government of Canada the payments for interest on and amortization of the loan required to be made by the municipality to the Minister of Finance under the terms of the said Act and the agreement to be entered into between the Minister of Finance and the municipality.

.....  
Clerk of the Executive Council

## SCHEDULE B

## DESCRIPTION AND LOCATION OF SELF-LIQUIDATING PROJECT

1. Description:

2. Location:

.....

.....

NOTE: To be signed by the Municipal Engineer or similar technical officer who shall designate his position.

## EXPLANATORY NOTES

1. Insert name, such as waterworks, electric system, gas plant or other municipal project, attaching a more detailed explanation if desired.
2. Insert detailed statement and attach plan of municipality on which location is clearly indicated.



## SCHEDULE C

## CAPITAL COST

- |  |         |
|--|---------|
| (1) Building or other construction project.. . . . . | \$..... |
| (2) Equipment.. . . . .                              | .....   |
| (3) Improvements to site.. . . . .                   | .....   |

Total. . . . . \$.....

- (4) I certify that the above estimates have been compiled under my supervision and that they are fair and just.

Date.....

- (5) I concur

Date.....

## EXPLANATORY NOTES

- (1) Attach plans and specifications in such detail that an appraisal officer may verify estimate of cost.
- (2) Attach memorandum giving complete details, based where possible on unit prices. Fixed and essential equipment only to be included.
- (3) Attach explanation in such detail that estimate may be verified.
- (4) To be signed by the Chief Engineer of the Municipality or like technical officer, who shall designate his official position.
- (5) To be signed by the appropriate technical officer of the Provincial Government, who shall designate his position.

## SCHEDULE D

### SELF-LIQUIDATING REQUIREMENT

- |  |         |
|--|---------|
| 1. Estimated useful life of project.....   | years   |
| 2. Estimated capital cost of project.....  | \$..... |
| 3. Amount of loan applied for.....   | \$..... |
| 4. Annual payments for interest on and amortization of loan.....                                       | \$..... |
| 5. Estimated annual gross <i>increase</i> in revenue as a result of completion of the new project..... | \$..... |

This estimate is based on.....

6. Estimated annual savings in operating and maintenance expenditures as a result of completion of the new project.. \$.....

These savings are itemized as follows:—

.....

7. Total of items 5 and 6. . . . . \$.....
8. Estimated annual increase in operating and maintenance expenses. . . . . \$.....

This increase is itemized as follows:—

.....	\$.....
.....	\$.....
.....	\$.....
.....	\$.....
.....	\$.....

9. Estimated increase in *net* revenue available for interest on and amortization of the loan (item 7 less 8).. . . . \$.....
10. If project involves the extension, improvement or renewal of an existing public utility, attach detailed operating and financial statement for latest year for which statement is available and give the following summarized information for the last 5 years:—

	19..	19..	19..	19..	19..
Gross revenues.. . . .	\$....	\$....	\$....	\$....	\$....
Less discounts, allowances or rebates . . . . .	....	....	....	....	....
Operating expenditures					
Wages and salaries					
Maintenance and repairs					
.....					
.....					
.....					
.....					
.....					
Interest on outstanding debt.. . . .	....	....	....	....	....
Total expenditures.... .	\$				
Net revenue.. . . .	\$				

*Certificates*

I certify that the information and the estimates given in this Schedule have been compiled by me or under my supervision and have been carefully checked by me, that the information given is true and correct, and that to the best of my knowledge and belief the estimates submitted are fair and reasonable.

Signature of Municipal Officer.....

Title.....

I certify that I have examined and checked the Municipal records and other data upon which the above information and estimates were based and that to the best of my knowledge and belief the information given is true and correct and the estimates submitted are fair and reasonable.

Signature of Provincial Officer.....

Title.....



*Table of Amortization Charges*

Table of semi-annual payments designed to retire a loan of \$1,000, covering periods of from ten to thirty years on the amortization plan, at an interest rate of two per cent. Half yearly payments including principal and interest.

10	years—	Half-yearly	payments	of	\$55.41531	each
11	"	"	"	"	50.86372	"
12	"	"	"	"	47.07347	"
13	"	"	"	"	43.86888	"
14	"	"	"	"	41.12444	"
15	"	"	"	"	38.74811	"
16	"	"	"	"	36.67089	"
17	"	"	"	"	34.83997	"
18	"	"	"	"	33.21431	"
19	"	"	"	"	31.76150	"
20	"	"	"	"	30.45560	"
21	"	"	"	"	29.27563	"
22	"	"	"	"	28.20441	"
23	"	"	"	"	27.22775	"
24	"	"	"	"	26.33384	"
25	"	"	"	"	25.51273	"
26	"	"	"	"	24.75603	"
27	"	"	"	"	24.05658	"
28	"	"	"	"	23.40824	"
29	"	"	"	"	22.80573	"
30	"	"	"	"	22.24445	"

The following is an example of the method to be used in adapting payments to amounts greater than \$1,000 for any specific period of years.

Example: To retire a loan of \$100,000 repayable in twenty-seven years, the semi-annual payment would be,

$$\$24.05658 \times 100 = \$2,405.658$$

SCHEDULE E

URGENT NEED OF PROJECT

Describe the need of the project, attaching a more detailed statement if necessary.

Date.....

NOTE: To be signed by the officer in charge of the municipal function with which the project will be connected, who shall *designate his position*.

I concur

Date.....

NOTE: To be signed on behalf of the Provincial department charged with supervision of the above municipal function, the signing officer to designate his position.

## SCHEDULE F

## RELIEF OF UNEMPLOYMENT

1. Population of municipality
  - (a) 1931 Dominion Census .....
  - (b) Latest Municipal Census, year.....  
number.....
2. (a) Number of persons cared for through material aid (that is, food, fuel, clothing and shelter) during each of the twelve months preceding the date of the application for the loan.  
.....
- (b) Number of persons provided with work aid (relief work) during each of the twelve months preceding the date of the application for the loan.
3. Attach copy of last annual financial statement of municipality, which shall show, inter alia, expenditure for relief.
4. Estimate of proportion of total cost to be expended on labour:
  - (a) Direct on the site .....per cent
  - (b) Indirect through purchase of equipment and material.....per cent
5. Estimate of equipment to be purchased:
  - (a) In Canada \$.....
  - (b) Outside Canada \$.....
6. Estimate of materials to be purchased:
  - (a) In Canada \$.....
  - (b) Outside Canada \$.....
7. Estimated number of man days required on the project:  
.....
8. Estimated time required to complete the project:  
years..... months.....  
.....  
.....

NOTE: To be signed by the Municipal Engineer or other technical officer, who shall designate his position.

## SCHEDULE G

AGREEMENT dated the                      day of                      19 .

BETWEEN:

The Honourable the Minister of Finance of Canada hereinafter referred to as "the Minister"

and

hereinafter referred to as "the Municipality."

WHEREAS the Minister with the approval of the Governor in Council may, under the authority of The Municipal Improvements Assistance Act, 1938, enter into an agreement with any municipality to make a loan or loans to such muni-



city to enable such municipality to pay the whole or any part of the cost of constructing or making extensions or improvements to or renewals of a municipal project, provided, however, that the project to be constructed or the extensions or improvements or renewals to be made will be a self-liquidating project; and

WHEREAS the Municipality has made an application for a loan of \$ principal amount to enable the Municipality to pay the cost of a self-liquidating project as defined in the said Act described as follows:—

(Insert here complete description of self-liquidating project.)

in accordance with the plans and specifications submitted to the Minister; and

WHEREAS the Municipality represents that the said project is a self-liquidating project within the meaning of the said Act, that it is urgently needed and will assist in the relief of unemployment in the Municipality and that there will be sufficient funds available to complete the said self-liquidating project in accordance with the plans and specifications submitted; and

WHEREAS the application of the Municipality for the said loan has been approved by Order of the Lieutenant-Governor in Council and by Order of the Governor General in Council.

NOW THEREFORE THIS AGREEMENT WITNESSETH that the parties hereto in consideration of the mutual covenants and agreements hereinafter contained covenant and agree with each other as follows:—

1. The Minister subject to the provisions of the said Act and this agreement hereby agrees to make a loan of \$ principal amount to the Municipality for the purpose of enabling the Municipality to pay the cost of the said self-liquidating project.

2. The principal amount of the said loan may be advanced as follows:—

(a) any amount up to twenty-five per cent of the loan may be advanced at any time or from time to time at the request of the Municipality;

(b) the remainder of the loan, except the last instalment, may be advanced from time to time on progress certificates satisfactory to the Minister showing that substantially all the advances previously made have been expended on the said self-liquidating project and indicating the extent to which the said self-liquidating project has been completed. Such progress certificates shall be signed by the officer of the Municipality who is charged with supervision over the construction of the said self-liquidating project and shall be accompanied by a certificate of the Treasurer or Auditor of the Municipality certifying that the moneys have been expended on the said self-liquidating project and have been properly accounted for and by a certificate of an officer of the Provincial Government who shall certify that he has inspected the said self-liquidating project and has examined the accounts and vouchers relating to the expenditures thereon and that to the best of his knowledge and belief the information contained in the progress certificate is true and accurate;

(c) before the last twenty-five per cent of the loan is advanced a certificate shall be forwarded to the Minister signed by the officer of the Municipality charged with supervision over the construction of the said self-liquidating project and by an officer of the Provincial Government certifying that to the best of their knowledge and belief the remainder of the proceeds of the loan will be sufficient to complete the self-liquidating project in accordance with the plans and specifications submitted to the Minister. If such certificate cannot be given the Municipality shall, before receiving the remaining twenty-five per cent of

the loan, make satisfactory arrangements for obtaining the additional funds required and shall have expended such additional funds on the self-liquidating project or shall have such additional funds available.

3. The said loan shall bear interest at the rate of two per cent per annum payable half-yearly. Interest at such rate on the amounts from time to time advanced computed from the respective dates of such advances until the thirtieth day of June or the thirty-first day of December whichever shall first occur following the last advance (hereinafter called the consolidation date) shall become due and be paid semi-annually on the thirtieth day of June or the thirty-first day of December. From the consolidation date the said sum of \$. . . . . with interest thereon at the aforesaid rate shall become due and shall be paid by . . . . . half-yearly instalments of \$. . . . . each (which shall include interest on and amortization of the loan) payable on the thirtieth day of June and the thirty-first day of December in each year beginning on the thirtieth day of June or the thirty-first day of December whichever shall first occur after the consolidation date.

4. (1) As evidence of, and security for, the obligations of the Municipality under Clause 3 of this agreement the Municipality shall comply with the following conditions:—

- (a) on or before receiving the first instalment and any subsequent instalment of the loan except the last instalment the Municipality shall deliver to the Minister a promissory note of the Municipality payable on demand to the order of the Minister for the amount of any such advance. Each promissory note shall be dated as of the date of the advance in respect of which it is delivered and shall bear interest at the rate of 2 per cent per annum payable semi-annually on the thirtieth day of June and the thirty-first day of December in each year;
- (b) on or before receiving the last instalment of the loan or at any time at the request of the Minister the Municipality shall deliver to the Minister a coupon debenture of the Municipality in the form prescribed by the regulations made under the authority of the said Act equal in principal amount to the principal amount of the loan. The debenture shall be dated as of the thirtieth day of June or the thirty-first day of December preceding the consolidation date and shall have attached thereto coupons payable to the Minister or his assigns, representing the payments required to be made by the Municipality under Clause 3 of this agreement for interest on and amortization of the loan. The first coupon shall be payable to the Minister or his assigns on the consolidation date, and shall represent interest at the rate of 2 per cent per annum accrued upon the principal amount of the loan and unpaid as at the due date of the coupon. The second and subsequent coupons shall be payable to the Minister or his assigns on the thirtieth day of June or the thirty-first day of December, whichever shall first occur after the due date of the first coupon, and every six months thereafter and shall represent the payments for interest on and amortization of the loan.

(2) On receipt of a debenture from the Municipality equal in principal amount to the principal amount of the loan and of interest accrued upon any notes outstanding up to the thirtieth day of June or the thirty-first day of December preceding the consolidation date the Minister shall surrender to the Municipality the note or notes received from the Municipality.

5. For the protection of the Provincial Government giving the guarantee and as security for the loan the Municipality shall grant to the Provincial Government a first charge or lien upon all revenues derived from the project to be constructed or from the project to be extended, improved or renewed



out of the proceeds of the loan. Any such charge or lien shall be assigned to the Minister at any time at his request and in any event shall be assigned to the Minister in the event that the Provincial Government fails in whole or in part to implement its guarantee.

NOTE: Where in the discretion of the Minister a first hypothec, mortgage or charge upon the project is taken in lieu of a charge or lien upon revenues, this clause shall read as follows:—

For the protection of the Provincial Government giving the guarantee and as security for the loan the Municipality shall grant to the Provincial Government a first hypothec, mortgage or charge upon the project to be constructed or upon the project to be extended, improved or renewed out of the proceeds of the loan. Any such hypothec, mortgage or charge shall be assigned to the Minister at any time at his request and in any event shall be assigned to the Minister in the event that the Provincial Government fails in whole or in part to implement its guarantee of the payments for interest on and amortization of the loan.

NOTE: This clause may be entirely omitted if the Municipality has debentures outstanding containing a first charge or lien upon the revenues to be derived from the project to be constructed or from the project to be extended, improved or renewed out of the proceeds of the loan and if the debentures to be delivered to the Minister will rank *pari passu* with the debentures outstanding.

6. The Municipality agrees to cause to be constructed forthwith in a substantial and workmanlike manner the said self-liquidating project in accordance with the plans and specifications submitted to the Minister. During the period of construction of the said self-liquidating project the Municipality shall exercise such supervision over the construction of the project as will reasonably assure it that the contractor is properly and faithfully carrying out the work of construction according to the plans and specifications submitted. The Municipality shall allow the Minister or his representative and the representative of the Provincial Government concerned to inspect at any time, and from time to time, the said self-liquidating project.

7. During the course of construction of the said self-liquidating project and thereafter, the Municipality shall insure and keep the said self-liquidating project insured against loss or damage by fire to its full insurable value in one or more insurance companies, mutual or otherwise, doing business in Canada and shall duly pay all premiums and other sums payable for that purpose and shall produce to the Minister for inspection when and if required every such policy of insurance and the receipt for the last premium payable thereunder. The insurance moneys shall be made payable to the Minister as his interest may appear. In the event of loss, the Minister shall have the right to receive the total insurance moneys payable under such policy or policies and to apply them wholly or in part in reduction of any part of the principal or interest remaining unpaid under this agreement or in meeting the costs of repairing or reconstructing the said self-liquidating project. (NOTE: This insurance clause may with the approval of the Minister of Finance be omitted if the self-liquidating project is of such a character that it would not as a matter of sound business practice be insured against loss or damage by fire.)

8. The Municipality covenants and agrees that all moneys advanced to it under this agreement shall be kept in a separate account and shall be used exclusively by the Municipality for the purpose of paying the cost of the said self-liquidating project and for no other purpose.

The Municipality shall at all times keep proper books of account and make therein true and faithful entries of all its transactions in relation to the construction of the said self-liquidating project and shall at all reasonable times

furnish the Minister or his representative and the representative of the Provincial Government concerned with such information relating to the said self-liquidating project as the Minister or the Provincial Government may reasonably require. Such books of account shall at all reasonable times be open for inspection by the Minister or his representative and the representative of the Provincial Government.

10. In the event of the Municipality and the Province failing to make payments on account of interest on and amortization of the loan required to be made by this agreement or in the event of the Municipality using the proceeds of the said loan for any purpose other than payment of proper charges incurred in the construction of the said self-liquidating project the principal amount of the loan then outstanding shall upon demand of the Minister become due and payable forthwith.

11. The following conditions shall apply in respect to the construction of the project to be financed with the proceeds of the loan to be made under this agreement:—

- (a) No person other than a resident of Canada shall be employed thereon; provided however that persons having special or technical knowledge may, with the approval of the Minister, be employed even though such persons are not residents of Canada if persons having such knowledge who are residents of Canada are not readily available;
- (b) No resident of Canada shall with relation to his employment or eligibility for employment be discriminated against nor favoured by reason of his race, religious views or political affiliations;
- (c) It shall be the duty of the Municipality to see that all persons employed in the execution of the said project are paid fair wages as defined by the Fair Wages and Hours of Labour Act, 1935, and that the working hours of persons employed in the execution of the project shall not exceed eight hours per day nor forty-four hours per week as provided by the said Fair Wages and Hours of Labour Act, 1935.

In witness whereof the parties hereto have caused these presents to be signed on the day and the year first above mentioned.

Witness:

.....

.....

Minister of Finance

.....

.....

.....

## SCHEDULE H

FORM OF DEBENTURE

THE DOMINION OF CANADA

PROVINCE OF

The \_\_\_\_\_ for value received hereby promises to pay to the Minister of Finance of Canada or his assigns at the principal office of the Bank of \_\_\_\_\_ in the City of Ottawa, the sum of \_\_\_\_\_ Dollars (\$) in lawful money of Canada with interest thereon at the rate of two per centum per annum payable half-yearly as specified in and upon surrender of the coupons attached hereto.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 19 .  
Countersigned:

.....

.....

.....

(L.S.)



FORM OF FIRST COUPON

Coupon No. .... Debenture No. ....  
 The ..... will pay to the Minister of Finance  
 of Canada or his assigns at the principal office of the Bank of ..... in  
 the City of Ottawa, Ontario, on the ..... day of ..... 19 ..... the sum  
 of ..... Dollars (\$ .....), being the interest due on that date on Debenture  
 No. ....  
 .....  
 .....

FORM OF SECOND AND SUBSEQUENT COUPONS

Coupon No. .... Debenture No. ....  
 The ..... will pay to the Minister of Finance  
 of Canada or his assigns at the principal office of the Bank of .....  
 in the City of Ottawa, Ontario, on the ..... day of .....  
 19... , the sum of ..... Dollars (\$ .....), being the instalment of prin-  
 cipal and interest due on that date on Debenutire No. ....  
 .....  
 .....

## APPENDIX 2

## THE MUNICIPAL IMPROVEMENTS ASSISTANCE ACT, 1938

## PROGRESS REPORT TO DECEMBER 31, 1938

Province	APPLICATIONS									
	RECEIVED		APPROVED		REJECTED		REDUCED		PENDING	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
		\$ cts.		\$ cts.		\$ cts.		\$ cts.		\$ cts.
British Columbia.....	7	1,570,635 00	6	1,416,635 00	.....	.....	.....	.....	1	154,000 00
Alberta.....	17	754,133 73	12	591,318 73	3	68,000 00	1	15,815 00	2	79,000 00
Saskatchewan.....	13	666,200 00	10	566,200 00	.....	.....	1	2,000 00	3	98,000 00
Manitoba.....	4	179,031 25	.....	.....	2	1,300 00	.....	.....	2	177,731 25
New Brunswick.....	5	405,000 00	5	402,513 80	.....	.....	1	2,486 20	.....	.....
Prince Edward Island..	1	7,000 00	1	7,000 00	.....	.....	.....	.....	.....	.....
Total.....	47	3,581,999 98	34	2,983,667 53	5	69,300 00	3	20,301 20	8	508,731 25



## APPENDIX 3

THE MUNICIPAL IMPROVEMENTS ASSISTANCE ACT, 1938  
 PROJECTS FOR WHICH LOANS WERE APPROVED TO DECEMBER 31, 1938

Province	Municipality	Amount		Project
		\$	cts.	
British Columbia.....	Greater Vancouver Water District.....	750,000	00	Extension of water supply system.
	Vancouver City.....	390,000	00	School construction and additions.
	Saanich.....	40,635	00	Replacement of watermains.
	Nanaimo.....	200,000	00	Replacement of watermains.
	Prince George.....	25,000	00	Replacement of watermains and tower.
	Grand Forks.....	11,000	00	Hydro-electric standby unit.
Alberta.....	Edmonton.....	150,000	00	Replace street car with trolley-bus system.
	Edmonton.....	7,000	00	Construction of electric sub-station.
	Edmonton.....	36,185	00	Street paving.
	Lethbridge.....	100,000	00	Replacement of watermains.
	Medicine Hat.....	26,133	73	Water supply inlet.
	Calgary.....	21,300	00	Replacement of watermains.
	Calgary.....	8,000	00	Municipal garage improvement.
	Calgary.....	37,500	00	Airport hangar and administration building.
	Calgary.....	82,250	00	Municipal utility building.
	Calgary.....	46,950	00	Additions and improvements to buildings.
Saskatchewan.....	Grande Prairie.....	50,000	00	Installation of water and sewer system.
	Wetaskiwin.....	26,000	00	Construction of municipal building.
	Regina.....	60,000	00	Airport administration building.
	Prince Albert.....	75,000	00	Improvement of waterworks system.
	Moose Jaw.....	200,000	00	Replacement of watermains.
	Melfort.....	40,000	00	Replacement of watermains.
	Saskatoon.....	13,000	00	Electric utility building.
	Yorkton.....	24,500	00	Improvement of waterworks system.
	Canora.....	3,000	00	To complete municipal building.
	Pelley.....	6,400	00	Transmission line for electric utility.
New Brunswick.....	Melville.....	4,300	00	Improvement of filtration plant.
	Regina.....	140,000	00	Improvement of electrical utility.
	Fredericton.....	200,000	00	Addition to hospital.
	Saint John.....	112,513	80	Addition to hospital.
	Dalhousie.....	20,000	00	Municipal building.
Sussex.....	Sussex.....	35,000	00	Water filtration plant and reservoir.
	Edmundston.....	35,000	00	Street paving.
Prince Edward Island....	Montague.....	7,000	00	Municipal building.

## APPENDIX 4

THE MUNICIPAL IMPROVEMENTS ASSISTANCE ACT, 1938  
ESTIMATED EXPENDITURE FOR LABOUR, EQUIPMENT AND SUPPLIES UNDER  
LOANS APPROVED TO DECEMBER 31, 1938

Province	Man Days	Labour	Equipment and Supplies
		\$ cts.	\$ cts.
British Columbia.....	146,348	534,021 20	882,613 80
Alberta.....	41,473	252,931 25	338,387 48
Saskatchewan.....	52,680	187,860 80	378,339 20
New Brunswick.....	31,949	153,205 20	249,308 60
Prince Edward Island.....	340	2,500 00	4,500 00
Total.....	273,790	1,130,518 45	1,853,149 08



















